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GRAMM-RUDMAN EXPECTED TO HAVE MAJOR IMPACT ON FAA BUDGETS

The structure of the Federal Aviation Administration and the services it provides might undergo major changes as a result of funding cuts expected in the Reagan Administration's fiscal 1987 budget, to be unveiled this week. The catalyst for budget cuts is the Gramm-Rudman deficit reduction legislation, which may open the door for drastic policy shifts that would be politically impossible to achieve otherwise.

Copies of the FY 1987 budget are not scheduled for release until this Wednesday, but officials of Washington-based aviation groups anticipate the industry will face an uphill battle to retain funding for a number of important FAA programs. FAA Administrator Donald Engen has already imposed "severe constraints" on agency spending to meet the Gramm-Rudman requirement of a 4.3 percent reduction in spending this year (BA, Jan. 13/9). The FY 1986 cutbacks are minor, however, compared to the estimated 20-25 percent reductions that will be required in FAA's budget in FY 1987 as the government struggles to meet the Gramm-Rudman limit of a maximum deficit of $144 billion.

Cuts In Many Programs Anticipated

Discussions with aviation interest groups last week indicated the Reagan Administration's FY 1987 budget will call for: elimination of interest payments on money in the Aviation Trust Fund; closure of low-activity control towers and flight service stations; possible "contracting-out" of some maintenance functions now performed by FAA personnel; elimination of all funding for the Essential Air Service program; and, reductions in major spending categories such as airport grants and facilities and equipment, which is the budget category covering spending for modernization of the national airspace system. In addition, it is expected the Administration may seek imposition of a whole new series of user charges on beneficiaries of specific FAA services.

A coalition of groups, ranging from the scheduled airlines to general aviation, is scheduled to present a joint statement today before the Senate aviation subcommittee to shield some FAA programs from Gramm-Rudman. Legislation offered by Sen. Nancy Kassebaum (R-Kan.) would exempt those portions of the FAA budget that are paid for by Aviation Trust Fund revenues from the requirements of the Gramm-Rudman legislation (BA, Dec. 23/202). The Trust Fund pays the entire cost of the Airport Improvement Program, facilities and equipment expenditures and research and development, plus a significant share of FAA's operations and maintenance expenditures, which includes controller salaries.

Kassebaum Bill Called 'Rallying Point'

Despite the expected show of support for Kassebaum's bill, questions remain about the likelihood of passage and the wisdom of such action. Both Kassebaum and industry officials acknowledge it will be very difficult to get the measure through Congress and some observers say the bill is more of a "rallying point" for the industry than a serious effort to get her bill passed. In addition, if the bill is enacted, it could mean any Gramm-Rudman-related budget cuts at FAA would come out of programs funded with general revenues--such as operations and maintenance--rather than being spread across all FAA activities. This would mean the most essential FAA functions--such as air traffic control, safety

(Continued on the following page)

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1985 GAMA SHIPMENTS

	Units	Billings
Single Engine	1,371	$124 Million
Multi-Engine	193	$ 66 Million
Turboprop	324	$520 Million
Jet	144	$709 Million
Total	2,032	$1.42 Billion

GAMA Chart

AIRESEARCH AVIATION COMPANY, the modification, completion and retrofit center for Garrett General Aviation Services Company, has received a designated alteration station certificate from the FAA's Northwest Mountain Region. Under the terms of the certificate, the second issued in that region, AiResearch is able to approve and certify all work in-house.

* * *

CAE ELECTRONICS LTD. has received an order from Boeing Commercial Airplane Company for two simulators, one a full flight with six-axis motion system, the other with a fixed base. Manufacturer also received an order from KLM Royal Dutch Airlines for a full flight simulator in glass cockpit configuration with full digital avionics. Total value of the three simulators which will be used on 737-300 aircraft, is $15 million.

* * *

AEROQUEST CORPORATION has named three new full-service dealers for its advanced technology electronic takeoff system: United Beechcraft, Inc. at Mid-Continent Airport, Wichita; Will Rogers Airport, Oklahoma City; and Stevens Aviation, Greenville-Spartanburg Airport, Greer, S.C. Takeoff system has a sensor attached to the left main gear which reads actual wheel rotation allowing it to measure acceleration, velocity and distance.

* * *

AEROSPACE INDUSTRIES ASSOCIATION has made available its 1985/86 Directory of Helicopter Operators in the United States, Mexico, and Puerto Rico. Priced at $10.95 each, directories can be ordered from AIA, Suite 700, 1725 DeSales Street, N.W., Washington, D.C. 20036; (202) 429-4848.

* * *

AUSTRALIAN AIRCRAFT SALES has sold the last of its 29 Fokker F27-100 series aircraft. Aircraft along with a spare engine, was sold to Great Aircruise Company of Sydney, Australia.

* * *

MID PACIFIC AIR flew 16 million revenue passenger miles during the month of December, a 37 percent increase over the 11.6 million flown a month earlier. Airline carried 118,393 passengers for the month, an increase of 29 percent from the same period in 1985 when the airline carried 91,748 passengers.

* * *

CHARTS detailing new civil aircraft shipments in 1985 by members of the General Aviation Manufacturers Association, along with a depiction of military business received by GAMA members during the year, are reprinted on the back of Pages 38-39.

* * *

WESTERN AIRCRAFT MAINTENANCE, INC. has been chosen the exclusive worldwide distributor for the hydraulic landing gear system developed by Aviadesign, Inc. System is accepted as a retrofit replacement for original electric landing gear systems on King Air, Merlin II, Queen Air, and Beech 99 aircraft.

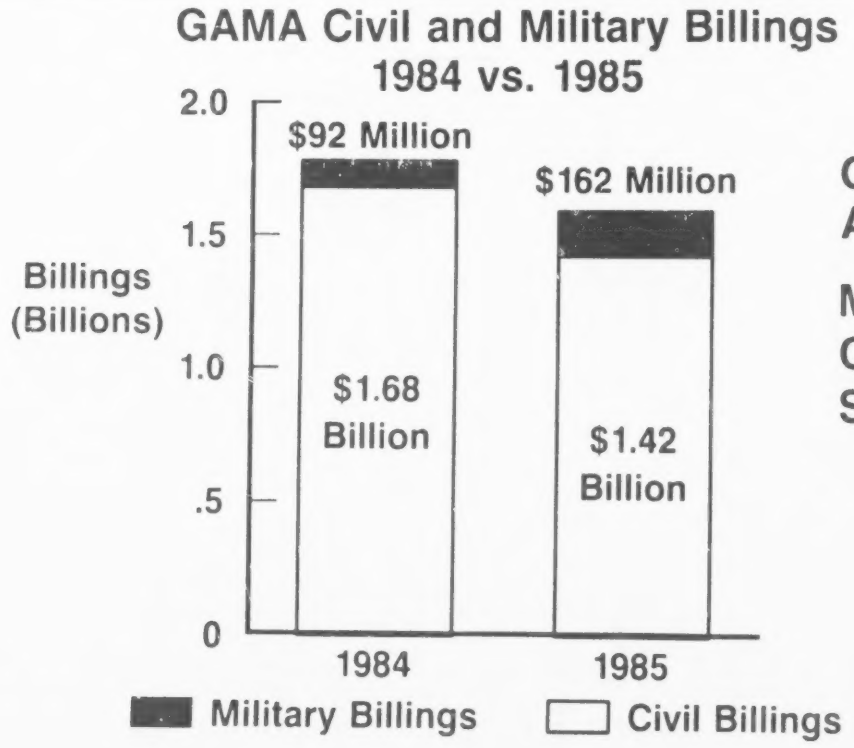
* * *

LEX WILKINSON LTD., a British express company, has been acquired for $36.5 million by the British subsidiary of Federal Express Corp. Company, which was a contract carrier for Federal Express international shipments, will operate as a separate affiliate.

* * *

BOEING VERTOL COMPANY and the Sikorsky Aircraft division of United Technologies have been joined by the Federal Systems Division of IBM; the Singer Aerospace and Marine Systems' Link Flight Simulation division; and Boeing Simulation and Training Systems in the development of the U.S. Army's LHX light helicopters. IBM will co-develop the aircraft survivability equipment and common signal processor. Singer-Link and Boeing STS will design the flight and maintenance training system for the aircraft's development phase.

ADDITIONAL MILITARY OFF-THE-SHELF BUSINESS



	1984	1985
General Aviation	$1.68 Billion	$1.42 Billion
Military Off-the Shelf	$92 Million	$162 Million
	$1.77 Billion	$1.58 Billion

GAMA Chart